

**REVENUE DEPARTMENT[701]**

**Notice of Intended Action**

**Proposing rule making related to Honey Creek premier destination park bonds and providing an opportunity for public comment**

The Revenue Department hereby proposes to amend Chapter 40, “Determination of Net Income,” Iowa Administrative Code.

*Legal Authority for Rule Making*

This rule making is proposed under the authority provided in Iowa Code section 421.17.

*State or Federal Law Implemented*

This rule making implements, in whole or in part, Iowa Code section 422.7 and 2019 Iowa Acts, Senate File 282.

*Purpose and Summary*

2019 Iowa Acts, Senate File 282, repealed the Honey Creek Premier Destination Park Bond Program and related Iowa Code provisions. This includes an exemption from federal and state income taxes for bonds issued under that program. The Department proposes this rule making to strike a reference to Honey Creek Premier Destination Park bonds from a nonexhaustive list of exempt bonds.

*Fiscal Impact*

This rule making has no fiscal impact to the State of Iowa. There was no fiscal note for 2019 Iowa Acts, Senate File 282.

*Jobs Impact*

After analysis and review of this rule making, no impact on jobs has been found.

*Waivers*

Any person who believes that the application of the discretionary provisions of this rule making would result in hardship or injustice to that person may petition the Department for a waiver of the discretionary provisions, if any, pursuant to rule 701—7.28(17A).

*Public Comment*

Any interested person may submit written or oral comments concerning this proposed rule making. Written or oral comments in response to this rule making must be received by the Department no later than 4:30 p.m. on April 27, 2021. Comments should be directed to:

Clara Wulfsen  
Department of Revenue  
Hoover State Office Building  
P.O. Box 10457  
Des Moines, Iowa 50306  
Phone: 515.322.2900  
Email: [clara.wulfsen@iowa.gov](mailto:clara.wulfsen@iowa.gov)

### *Public Hearing*

No public hearing is scheduled at this time. As provided in Iowa Code section 17A.4(1)“b,” an oral presentation regarding this rule making may be demanded by 25 interested persons, a governmental subdivision, the Administrative Rules Review Committee, an agency, or an association having 25 or more members.

### *Review by Administrative Rules Review Committee*

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee’s meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

The following rule-making action is proposed:

Amend rule 701—40.3(422) as follows:

**701—40.3(422) Interest and dividends from foreign securities and securities of state and other political subdivisions.** Interest and dividends from foreign securities and from securities of state and other political subdivisions are to be included in Iowa net income. Certain types of interest and dividends, because of specific exemption, are not includable in income for federal tax purposes. To the extent such income has been excluded for federal income tax purposes, unless the item of income is specifically exempted from state taxation by the laws or constitution of Iowa or of the United States, it must be added to Iowa taxable income.

The following is a noninclusive listing of bonds issued by the state of Iowa and its political subdivisions, interest on which is exempt from both federal and state income taxes.

1. to 19. No change.

~~20. Honey Creek premier destination park bonds: Bonds issued under Iowa Code section 463C.12(8).~~

~~21. 20.~~ Iowa utilities board and Iowa consumer advocate building project bonds: Bonds issued under Iowa Code section 12.91(9).

~~22. 21.~~ Iowa jobs program revenue bonds: Bonds issued under Iowa Code section 12.87(8).

Interest from repurchase agreements involving obligations of the type discussed in this rule is subject to Iowa income tax. *Nebraska Department of Revenue v. John Loewenstein*, 513 US 123 (1994). *Everett v. State Dept. of Revenue and Finance*, 470 N.W.2d 13 (Iowa 1991).

For the treatment of interest or dividends from regulated investment companies (mutual funds) that invest in obligations of the type discussed in this rule, see rule 701—40.52(422).

Gains and losses from the sale or other disposition of bonds issued by the state of Iowa or its political subdivisions, as distinguished from interest income, shall be taxable for state income tax purposes.

This rule is intended to implement Iowa Code section 422.7.